

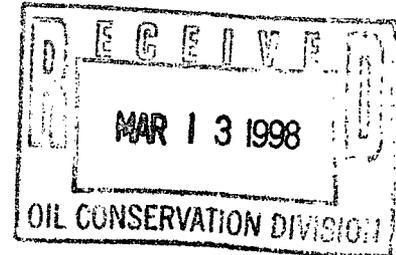
NSL 4/2/98



Manzano Oil Corporation

P.O. Box 2107  
Roswell, New Mexico 88202-2107  
(505) 623-1996  
FAX (505) 625-2620

March 11, 1998



Mr. Michael L. Stogner  
Oil Conservation Division  
New Mexico Department of Energy  
Minerals & Natural Resources  
2040 South Pacheco  
Santa Fe, New Mexico 87505

Re: Application of Manzano Oil Corporation  
for Administrative Approval of an  
Unorthodox Well - State "3" #1

Dear Mr. Stogner:

Enclosed please find the Application of Manzano Oil Corporation for administrative approval of an Unorthodox Location for the State "3" #1 well located 2144' FNL and 2,087' FEL of Section 12, Township 16 South, Range 36 East, N.M.P.M., Lea County, New Mexico.

By separate letter (copy attached) Manzano has sent notification via certified return receipt mail to the affected parties by submitting a copy of this application and a plat required by OCD rules.

Your due consideration to this Application is most appreciated. Should you have any questions, please feel free to me at 505/623-1996.

Sincerely,

*Michael Brown*

Michael Brown  
Geologist

Enclosures



Manzano Oil Corporation

P.O. Box 2107  
Roswell, New Mexico 88202-2107  
(505) 623-1996  
FAX (505) 625-2620

March 11, 1998

Matador Petroleum Corporation  
8340 Meadow Road #158  
Dallas, TX 75231

Attn: Mona Ables

Re: State "3" #1  
Lea County, New Mexico

Dear Mona:

Manzano Oil Corporation has filed an Application for Administrative Approval for unorthodox location for our State "3" No. 1 well which is located 2144' FNL and 2087' FEL of Section 12, Township 16 South, Range 36 East, N.M.P.M., Lea County, New Mexico. Manzano has drilled and completed this well at the above location which is 45.82 feet unorthodox but was not discovered to be unorthodox by Manzano or the OCD until last week.

Enclosed is a copy of the Application for Administrative Approval, Geologic Discussion, Geologic Exhibits and Plat. By this letter Matador Petroleum Corporation will have 20 days from date of this letter to file a protest with the OCD. Manzano respectfully requests a waiver to this unorthodox location by signing below.

If you should have any questions or concerns regarding this matter, please give me a call.

Sincerely,

*Michael Brown*

Michael Brown  
Geologist

Enclosures

WAIVER TO PROTEST

AGREED TO AND ACCEPTED this \_\_\_\_\_ day of March, 1998.

By: \_\_\_\_\_  
Title: \_\_\_\_\_

DATE IN	SUSPENSE	ENGINEER	LOGGED BY	TYPE
---------	----------	----------	-----------	------

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION  
- Engineering Bureau -

**ADMINISTRATIVE APPLICATION COVER SHEET**

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

**Application Acronyms:**

- [NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]  
 [DD-Directional Drilling] [SD-Simultaneous Dedication]  
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]  
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]  
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]  
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]  
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION - Check Those Which Apply for [A]**

- [A] Location - Spacing Unit - Directional Drilling  
 NSL    NSP    DD    SD

Check One Only for [B] and [C]

- [B] Commingling - Storage - Measurement  
 DHC    CTB    PLC    PC    OLS    OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  
 WFX    PMX    SWD    IPI    EOR    PPR

[2] **NOTIFICATION REQUIRED TO: - Check Those Which Apply, or  Does Not Apply**

- [A]  Working, Royalty or Overriding Royalty Interest Owners  
 [B]  Offset Operators, Leaseholders or Surface Owner  
 [C]  Application is One Which Requires Published Legal Notice  
 [D]  Notification and/or Concurrent Approval by BLM or SLO  
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office  
 [E]  For all of the above, Proof of Notification or Publication is Attached, and/or,  
 [F]  Waivers are Attached

[3] **INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding**

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WJ, RI, ORRI) is common. I understand that any omission of data (including API numbers, pool codes, etc.), pertinent information and any required notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with supervisory capacity.

Michael Brown  
Print or Type Name

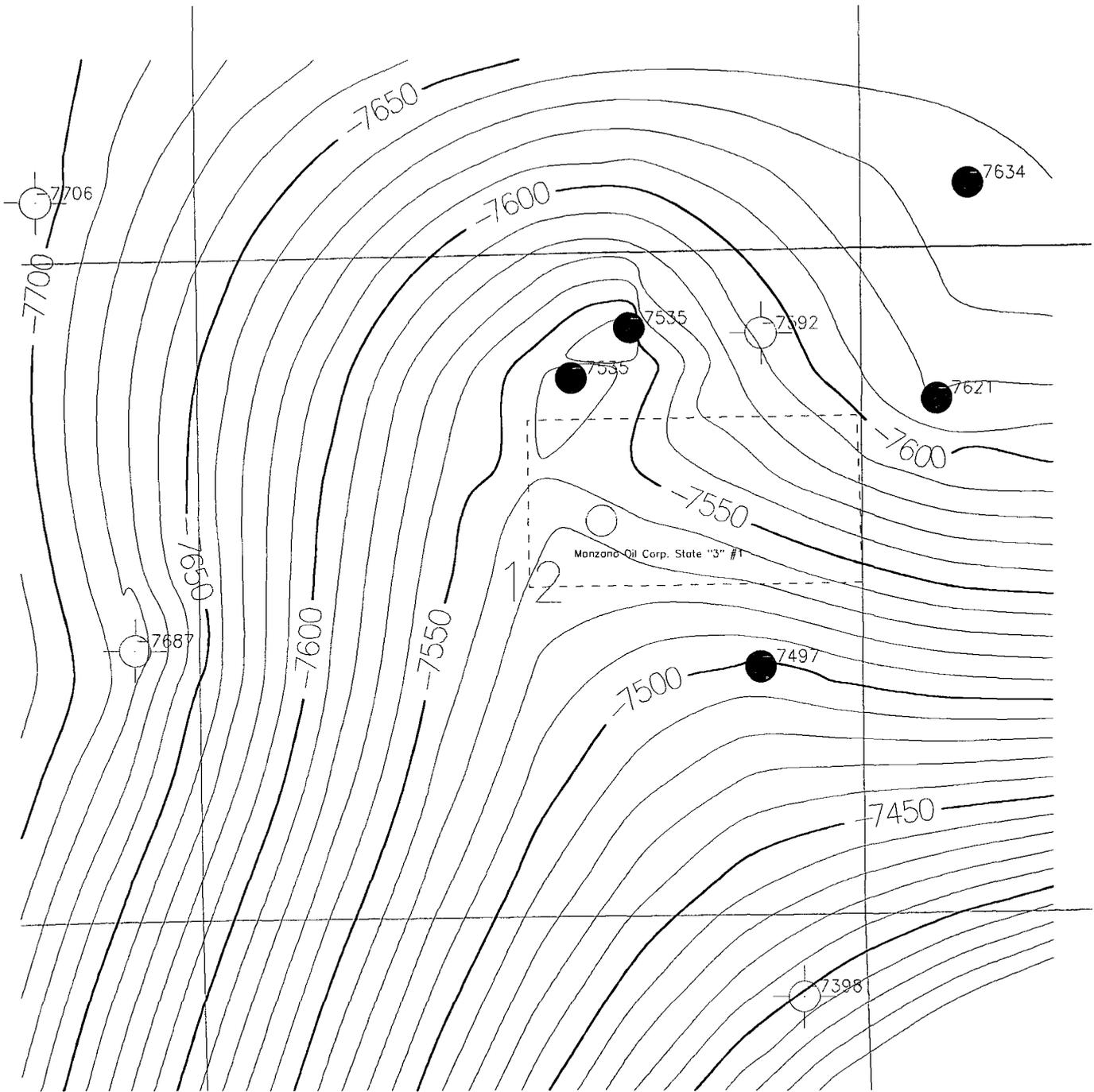
*Michael Brown*  
Signature

*Geologist*  
Title

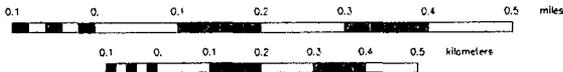
3/11/98  
Date

## GEOLOGICAL DISCUSSION

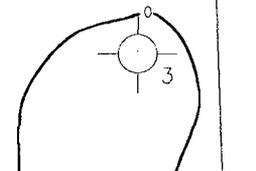
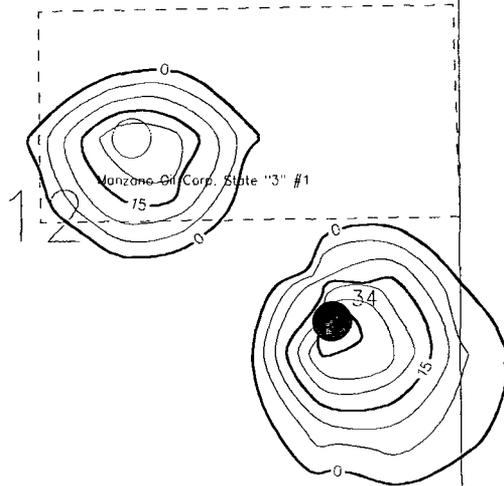
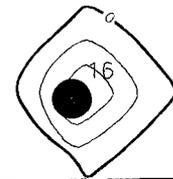
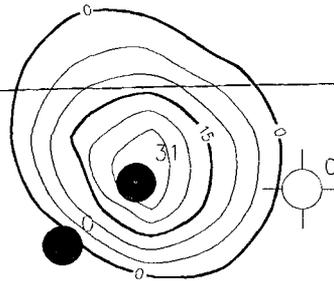
The Manzano Oil Corporation State "3" #1 was drilled and completed as a producer in the Strawn formation on February 14, 1998. Prior to permitting this well as a Strawn test in the NE Lovington Penn pool, the subsurface location was determined using 3-D seismic. The 3-D seismic shows a strong north and northeast structural dip on the top of the Strawn coming off the Lovington high (see Structure Map - Top of Strawn). In addition to a strong structural component, the porosity distribution in the Strawn consists of small algal mounds where porosity and permeability change and terminate rapidly in all directions (see Map of Strawn Porosity greater than 6%). The geophysicist working this project was instructed to determine the most advantageous structural and stratigraphic position in the Strawn at an orthodox location for the NE Lovington Penn pool (wells are to be no greater than 150 feet from the center of a governmental quarter/quarter section). Using the 3-D seismic X-Y section coordinate grid, provided by Western Geophysical surveyors, a location less than 150' from the center of a quarter/quarter section was chosen and the line and trace designations were sent to be staked. Due to a discrepancy in the X-Y coordinates of the north boundary of Section 12, which underlies the Lovington-Denver City Highway (but surveyed off the road approximately 50 feet), the surface location for the Manzano Oil State "3" #1 was located 195.82 feet southwest of the center of the quarter/quarter section, instead of 150 feet southwest of center, making it 45.82 feet unorthodox for a well in this pool. Since the location was previously determined to be orthodox, this discrepancy in surface/3-D locations and the change from orthodox to unorthodox was not discovered by either Manzano or the OCD until last week. Using both structure and porosity mapping of the Strawn, the current location of 2,144' FNL and 2,087' FEL provides the best near-orthodox location for exploiting the reserves of this small isolated Strawn algal mound. Moving the location 45.82 feet northeast to an orthodox location would result in a loss of structure, a loss of porosity and a potential loss of reserves. Granting Manzano's request for an unorthodox location for the Manzano Oil Corporation State "3" #1 will allow Manzano to establish production capable of preventing waste and protecting correlative rights.



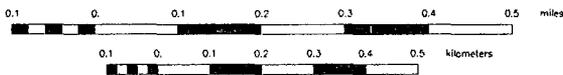
Scale 1:14706.85



MANZANO OIL CORPORATION		
STATE "3" #1 - UNORTHODOX Sec. 12, T16S, R36E STRUCTURE MAP - TOP OF STRAWN		
Mike Brown		3/11/98
C.I. - 10 Ft.	Scale 1:14706.85	



Scale 1:14706.85



MANZANO OIL CORPORATION

STATE "3" #1 - UNORTHODOX  
Sec. 12, T16S, R36E  
STRAWN POROSITY >6%

Mike Brown		3/11/98
C.I. = 5 FT	Scale 1:14706.85	



Submit 3 Copies  
to Appropriate  
District Office

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-103  
Revised 1-1-89

DISTRICT I  
P.O. Box 1980, Hobbs, NM 88240

OIL CONSERVATION DIVISION  
P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

DISTRICT II  
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III  
1000 Rio Brazos Rd., Aztec, NM 87410

WELL API NO.  
30-025-34238

5. Indicate Type of Lease  
STATE  FEE

6. State Oil & Gas Lease No.  
LG-6346

7. Lease Name or Unit Agreement Name  
State 3

8. Well No.  
1

9. Pool name or Wildcat  
Northeast Lovington Penn

SUNDRY NOTICES AND REPORTS ON WELLS  
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A  
DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT"  
(FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well:  
OIL WELL  GAS WELL  OTHER

2. Name of Operator  
Manzano Oil Corporation 505/623-1996

3. Address of Operator  
P.O. Box 2107/Roswell, NM 88202-2107

4. Well Location  
Unit Letter G : 2144 Feet From The North Line and 2087 Feet From The East Line  
Section 12 Township 16 South Range 36 East NMPM Lea County

10. Elevation (Show whether DF, RKB, RT, GR, etc.)  
3875.47' GL

11. Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	PLUG AND ABANDONMENT <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>		CASING TEST AND CEMENT JOB <input checked="" type="checkbox"/>	
OTHER: <input type="checkbox"/>		OTHER: <input type="checkbox"/>	

12. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

1/13/98 Run 104 jts 8-5/8" csg w/guide shoe, float collar & 6 centrilizers. Set @ 4371'. Cement w/800 sx Lite + 8#/sk salt + 1/4# cello-flake. Tail in w/200 sx Cl C + 2% CaCl. Est top of cement 300'.

1/28/98 DST #1: Wolfcamp 10,560-10,617' = 57' interval. Formation wet.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Allison Hernandez TITLE Engineering Technician DATE 1/28/98  
TYPE OR PRINT NAME Allison Hernandez TELEPHONE NO. 623-1996

(This space for State Use)

APPROVED BY Chris Williams TITLE DISTRICT 1 SUPERVISOR DATE 1/28/98  
CONDITIONS OF APPROVAL, IF ANY:

Submit 3 Copies  
to Appropriate  
District Office

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-103  
Revised 1-1-89

DISTRICT I  
P.O. Box 1980, Hobbs, NM 88240

OIL CONSERVATION DIVISION  
P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

DISTRICT II  
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III  
1000 Rio Brazos Rd., Aztec, NM 87410

WELL API NO.  
30-025-34238

5. Indicate Type of Lease  
STATE  FEE

6. State Oil & Gas Lease No.  
LG-6346

7. Lease Name or Unit Agreement Name

State 3

8. Well No.  
1

9. Pool name or Wildcat  
Northeast Lovington Penn

SUNDRY NOTICES AND REPORTS ON WELLS  
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A  
DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT"  
(FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well:  
OIL WELL  GAS WELL  OTHER

2. Name of Operator  
Manzano Oil Corporation 505/623-1996

3. Address of Operator  
P.O. Box 2107/Roswell, NM 88202-2107

4. Well Location  
Unit Letter G : 2144 Feet From The North Line and 2087 Feet From The East Line  
Section 12 Township 16 South Range 36 East NMPM Lea County

10. Elevation (Show whether DF, RKB, RT, GR, etc.)  
3875.47' GL

11. Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input checked="" type="checkbox"/>	PLUG AND ABANDONMENT <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>		CASING TEST AND CEMENT JOB <input type="checkbox"/>	
OTHER: _____ <input type="checkbox"/>		OTHER: _____ <input type="checkbox"/>	

12. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

1/05/98 Spud @ 7:00 p.m. 1/04/98.  
1/06/98 Ran 11 jts (402.88') of 13-3/8" J55 54.5# Butt csg. Set @ 400'KB. Cemented with 455 sks Class C. Circl 15 sks to pit.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Allison Hernandez TITLE Engineering Technician DATE 1/8/98  
TYPE OR PRINT NAME Allison Hernandez TELEPHONE NO. 623-1996

(This space for State Use)

APPROVED BY Chris Williams TITLE DISTRICT SUPERVISOR DATE JAN 12 1998  
CONDITIONS OF APPROVAL, IF ANY:

District I  
 PO Box 1980, Hobbs, NM 88241-1980  
 District II  
 PO Drawer DD, Artesia, NM 88211-0719  
 District III  
 1000 Rio Brazos Rd., Aztec, NM 87410  
 District IV  
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico  
 Energy, Minerals & Natural Resources Department  
**OIL CONSERVATION DIVISION**  
 PO Box 2088  
 Santa Fe, NM 87504-2088

Form C-101  
 Revised February 10, 1994  
 Instructions on back  
 Submit to Appropriate District Office  
 State Lease - 6 Copies  
 Fee Lease - 5 Copies

AMENDED REPORT

**APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE**

Operator Name and Address. Manzano Oil Corporation P.O. Box 2107 Roswell, NM 88202-2107		OGRID Number 013954
		API Number 30-025-34238
Property Code 7217	Property Name State 3	Well No. 1

**7 Surface Location**

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
G	12	16S	36E		2144	North	2087	East	Lea

**8 Proposed Bottom Hole Location If Different From Surface**

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County

Proposed Pool 1 Northeast Lovington Penn	Proposed Pool 2
---------------------------------------------	-----------------

Work Type Code N	Well Type Code O	Cable/Rotary R	Lease Type Code S	Ground Level Elevation 3875.47' GL
Multiple No	Proposed Depth 11,800'	Formation Strawn	Contractor WEK Drilling Co.	Spud Date 12/29/97

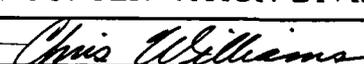
**21 Proposed Casing and Cement Program**

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17-1/2"	13-3/8"	54.5#	400'	350	Circl
11"	8-5/8"	32#	4,400'	1000	400'
7-7/8"	5-1/2"	17 & 20#	11,800'	To be designed	600' above uppermost pay.

Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Set surface casing @ 400'. Circl cement to surface. Set inter csg @ approx 4400'. Cement. Install BOP's. Tsg to 100 psi. Drill 7-7/8" hole to 11,800'. DST any prospective pays. Run open hole log. Run 5-1/2" production casing through Strawn if justified.

Permit Expires 1 Year From Approval Date Unless Drilling Underway

I hereby certify that the information given above is true and complete to the best of my knowledge and belief. Signature: 		<b>OIL CONSERVATION DIVISION</b>	
Printed name: D.E. Brown		Approved by: 	
Title: VP Engineering		Title: DISTRICT 1 SUPERVISOR	
Date: 12/12/97	Phone: (505) 623-1996	Approved: <b>APC 18 1997</b>	Expiration Date:
		Conditions of Approval Attached <input type="checkbox"/>	

Box 1988, Hobbs, NM 88241-1988  
District II  
PO Drawer DD, Artesia, NM 88211-0719  
District III  
1000 Rio Branos Rd., Aztec, NM 87410  
District IV  
PO Box 2088, Santa Fe, NM 87504-2088

OIL CONSERVATION DIVISION  
PO Box 2088  
Santa Fe, NM 87504-2088

Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

APN Number 30-0-25-34238		Pool Code 40760	Pool Name Northeast Lovington Basin
Property Code 22178	Property Name STATE 3		Well Number 1
OGRID No. 013954	Operator Name Manzano Oil Corporation		Elevation 3875.47

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G	12	16 S	36 E		2144	North	2087	East	Lea

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

12 Dedicated Acres 80	13 Joint or Infill	14 Consolidation Code	15 Order No.
--------------------------	--------------------	-----------------------	--------------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16				<p>17 OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p><i>D.E. Brown</i></p> <p>Signature D.E. Brown Printed Name VP Engineering Title December 12, 1997 Date</p>	
				<p>18 SURVEYOR CERTIFICATION</p> <p><i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i></p> <p>December 8, 1997 Date of Survey APPA, Ratton Signature and Seal of Professional Surveyor:  </p> <p>Certificate No. 8112</p>	



**DRILLING CO., INC. - OIL WELL DRILLING CONTRACTORS**

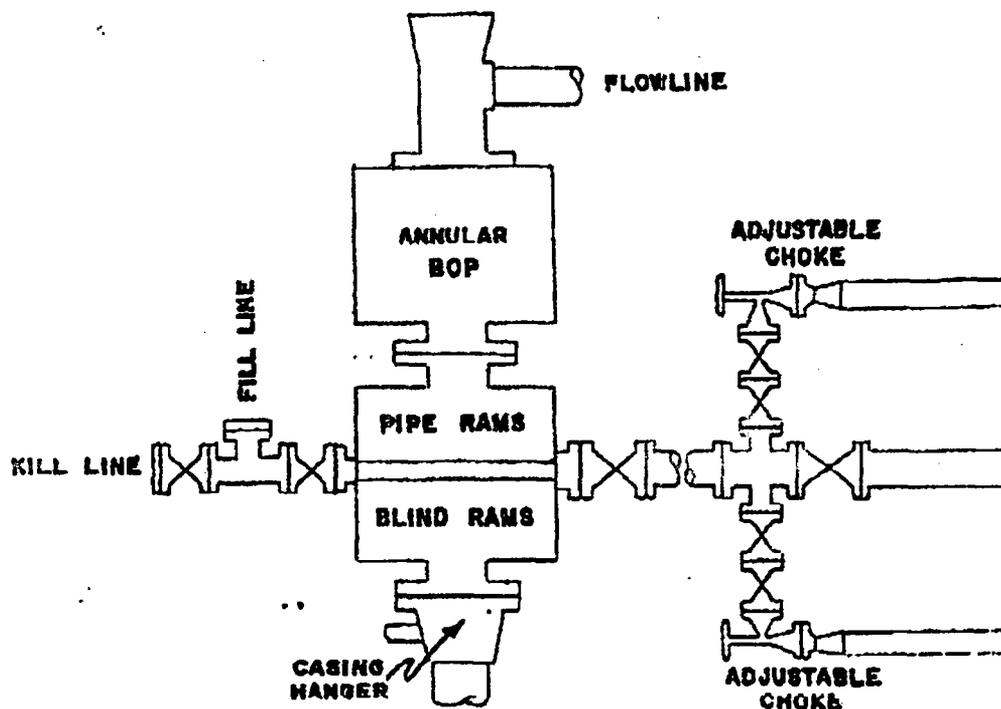
P. O. BOX 1498 ROSELLE, NEW MEXICO 88202-1498  
 505/625-2620  
 ROSELLE, NM

505/746-2719  
 ARTEZIA, NM

**RIG #4**

**BLowOUT PREVENTOR ARRANGEMENT**

11" SHAFFER TYPE LWS, 5000 psi WP  
 11" CAMERON SPHERICAL, 5000 psi WP  
 120 GALLON, 5 STATION KOOMEY ACCUMULATOR  
 5000 psi WP CHOKE MANIFOLD



Manzano Oil Corporation's  
 State 3 #1  
 2144' FNL & 2087' FEL  
 Sec 12, T16S, R36E  
 Lea County, New Mexico